



State of Utah

Department of Natural Resources

ROBERT L. MORGAN
Executive Director

Division of Oil, Gas & Mining

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

August 17, 2004

Steve Sorenson
KSC Rocks
235 North Main
Kanosh, Utah 84637

Subject: Acceptance of Notice of Intention to Commence Small Mining Operations and Formal Approval of the Form and Amount of Reclamation Surety, KSC Rocks, UTU-79911 Mine, S/041/035, Sevier County, Utah

Dear Mr. Sorenson:

Thank you for your Notice of Intention to Commence Small Mining Operations and \$150.00 permit fee, received by the Division on June 10, 2004. The notice is for your BLM claim #UTU-79911 which is located in the SW1/4 SE1/4 NW1/4 of Section 24, T26S, R4W, SLBM, Sevier County, Utah. We have assigned a new file number to this notice, S/041/035. This notice will not be considered an amendment to your KSC #1 mine, as was previously determined; that permit will be closed and that file retired.

On August 5, 2004, we received your reclamation contract and \$2,000 Certificate of Deposit issued by Wells Fargo Bank. On August 13, 2004, the Director of the Division of Oil, Gas and Mining formally approved the form and amount of reclamation surety for the UTU-79911 mine. We also accept and approve the reclamation surety. Copies of the executed Reclamation Contract and Certificate of Deposit are enclosed for your records. We will also forward a copy of the documents to the BLM state office for their records. *Please note that we have changed the Certificate of Deposit cover letter to reference the new mine name and number. We have also made the appropriate changes referencing the new file number and the date the Notice was received on the Reclamation Contract. No other changes were required.*

Unlike large mining operations where the surety is escalated five years into the future, the surety for small mining operations will be reviewed periodically to assure that the bond remains adequate.

Page 2 of 2
Steve Sorenson
S/041/035
August 17, 2004

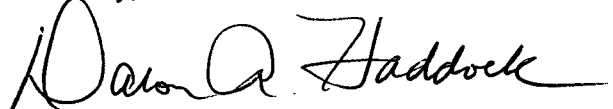
The Division finds your application complete and ***hereby grants acceptance of your UTU-79911 small mining notice of intention.*** You may commence with your mining operations as outlined, provided you have satisfied the Bureau of Land Management requirements and received written acceptance from them.

The acceptance of this notice and surety is for a small mining operation only, which you state will disturb .25 acres. You are not authorized to disturb beyond the .25 acre area without first amending your notice, adjusting the bond amount and receiving written acceptance from this office as well as from the BLM. In accordance with the requirements of Rule R647-3-105, regarding the project location and disturbed area identification on a topographic map, ***the Division also requests that you mark the proposed/actual disturbed area boundary (including access/haul roads) in the field with metal T-Posts (or other suitable, fixed markers) to assure that operations do not exceed the limitation of this permit.*** Markers must be appropriately spaced so that the next marker in either direction is clearly visible with the naked eye.

For your reference, I have attached a copy of our summarized rules regarding "Operation and Reclamation Practices," and the statutory penalty for failure to reclaim a minesite (SMO-summary). Please give special consideration to item #10 of the "Operation and Reclamation Practices." Stockpiling topsoil material prior to beginning your mining operation will help ensure successful revegetation efforts upon final reclamation of the minesite. If the area being mined is a solid rock outcrop, or if the land surface is very rocky, then soil stockpiling is probably not possible. However, even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory release from reclamation requirements.

Thank you for your cooperation. If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Lynn Kunzler at 538-5310. We wish you the best with your new project area and hope you can locate a favorable deposit.

Sincerely,



Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:jb
Attachment: SMO summary
Enclosure: Copy of RC & CD
cc: Michael Jackson, BLM, Richfield FO w/Encl
Opie Abeyta, BLM State Office, w/Encl
O:\M041-Sevier\S0410035-UTU-79911\final\apvl-NOI&surety-08172004.doc

IV. OPERATION AND RECLAMATION PRACTICES (Rule R647-3-107, 108 & 109)

(SMO-1)

The reclamation and operation obligation is to keep the area clean and safe, minimize hazards to public safety, return the land to a useful condition, and reestablish at least 70 percent of the premining vegetative ground cover. To accomplish this, the operator will need to perform reclamation concurrently, or at the completion (within one (1) year) of mining:

1. Keep the mining operation in a safe, clean, and environmentally stable condition.
2. Permanently seal all shafts and tunnels to prevent unauthorized or accidental entry.
3. Plug drill holes with a five foot cement surface plug. Holes that encounter fluids are to be plugged in the subsurface to prevent aquifer contamination.
4. Construct berms, fences, or barriers, when needed, above highwalls and excavations.
5. Remove, isolate, or neutralize all toxic materials in a manner compatible with federal and state regulations.
6. Remove all waste or debris from stream channels.
7. Dispose of any trash, scrap metal, wood, machinery, and buildings.
8. Conduct mining activities so as to minimize erosion and control sediment.
9. Reclaim all roads that are not part of a permanent transportation system.
10. Stockpile topsoil and suitable overburden prior to mining.
11. Stabilize highwalls by backfilling or rounding to 45 degrees or less, where feasible; reshape the land to near its original contour, and redistribute the topsoil and suitable overburden.
12. Properly prepare seedbed to a depth of six inches by ripping, discing, or harrowing.
13. Reseed disturbed areas with adaptable species. (The Division recommends seeding 20 lbs./acre of native and introduced species of grass, forb, and browse seed, and will provide a specific species list if requested.)
14. Plant the seed with a rangeland or farm drill, or if broadcast seeded, harrow or rake the seed 1/4-1/2 inch into the soil - fall is the preferred time to seed.

(SMO-2)

Failure to Reclaim

Section 40-8-14 (6) of the State of Utah Mined Land Reclamation Act, states the following:

If the operator of a small mining operation fails or refuses to carry out necessary land reclamation as required by this chapter and the rules of the Board; the Board, after notice and hearing, may order that:

- (a) reclamation be conducted by the Division;
- (b) the costs and expenses of reclamation, together with the costs of collection, including attorney's fees, be recovered in a civil action brought by the Attorney General against the operator in any appropriate court.

File Number 5/041/035
Effective Date Aug 13, 2004
Other Agency File Number UTU-79911

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

UTU 79911 5/041/035
Banded Ryolite

"MINE LOCATION":
(Name of Mine)
(Description)

Lease
Small Trenches

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

.25 Acres
(refer to Attachment "A")

"OPERATOR":
(Company or Name)
(Address)

KSC Rocks
235 North Main
Harash, Utah 84637

(Phone)

435-759-2639

RECEIVED

AUG 05 2004

"OPERATOR'S REGISTERED AGENT":

Name)

(Address)

(Phone)

Same

"OPERATOR'S OFFICER(S)":

Steven Sorenson Pres
Cole Sorenson Vice Pres
Patti Sorenson Sec.

SURETY":

(Form of Surety - Attachment B)

Time Account

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Wells Fargo Bank

"SURETY AMOUNT":

(Escalated Dollars)

\$2000.00

"ESCALATION YEAR":

2005

"STATE":

"DIVISION":

"BOARD":

State of Utah

Division of Oil, Gas and Mining

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between MSC Rocks Inc the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. 510411039 which has been approved/accepted by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved/accepted Reclamation Plan or Notice, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the approved/accepted Notice of Intention and Reclamation Plan or Notice received June 10, 2004. The Notice of Intention and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

KSC Rocks
Operator Name

By Steven LaMar Sorenson
Authorized Officer (Typed or Printed)

President
Authorized Officer - Position

Steven LaMar Sorenson
Officer's Signature

8-3-04
Date

STATE OF Utah)
COUNTY OF MILLARD) ss:

On the 3rd day of August, 2004, Steven LaMar Sorenson personally appeared before me, who being by me duly sworn did say that he/she is the President of KSC Rocks and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said Steven LaMar Sorenson duly acknowledged to me that said company executed the same.

Betty L. Turner
Notary Public
Residing at Fillmore, Utah



03-05-2005
My Commission Expires:

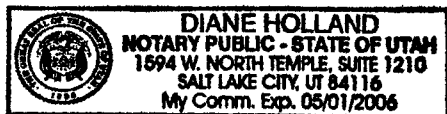
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton
Lowell P. Braxton, Director

8/13/04
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 13th day of August, 2004, Lowell P. Braxton
personally appeared before me, who being duly sworn did say that he, the said
Lowell P. Braxton is the Director of the Division of Oil, Gas and Mining,
Department of Natural Resources, State of Utah, and he duly acknowledged to me that
he executed the foregoing document by authority of law on behalf of the State of Utah.



Diane Holland
Notary Public
Residing at: Salt Lake City, Utah

05-01-2006
My Commission Expires:

ATTACHMENT "A"

KSC Rocks
Operator

KSC #1 - UTU-79911
Mine Name

S/041/035
Permit Number

Sevier County, Utah

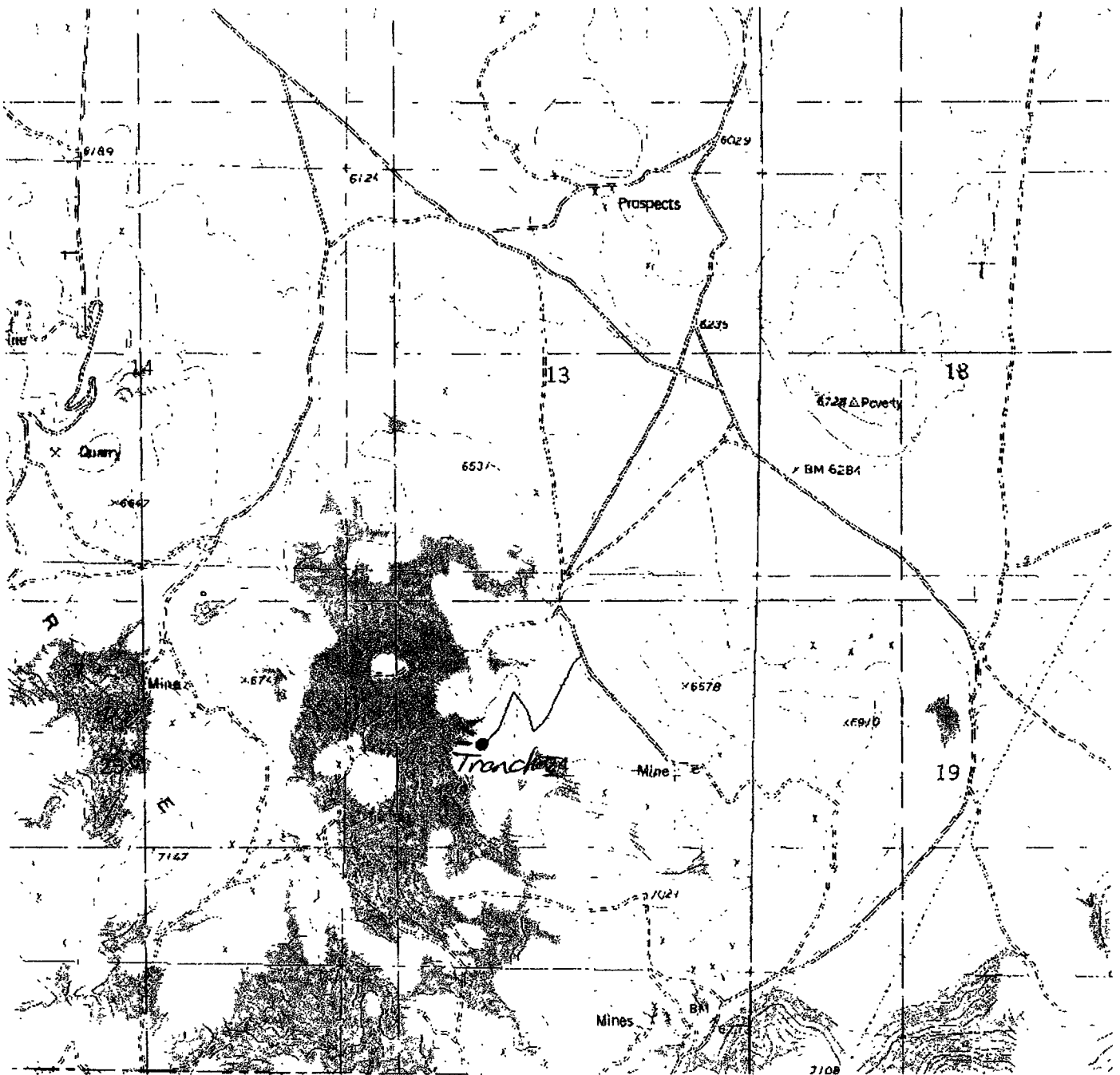
LEGAL DESCRIPTION

Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.

The detailed legal description of lands to be disturbed includes portions of the following lands not to exceed .25 acres under the approved / accepted permit and surety, as reflected on the attached map labeled Prospect-KSC Rocks and dated 10/02/03:

SW1/4 SE1/4 NW1/4, Section 24, Township 26 South, Range 4 West, Sevier County

Prospect--KSC Rocks
T. 26 S., R. 4 W., section 24



1:24000



Existing Access Road (two-track)



Prospect, old dozer side cut

**GPS 8/6/03; ArcView map 10/02/03
 by M. Jackson**





OLENE S. WALKER
Governor
GAYLE F. McKEACHNIE
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director
LOWELL P. BRAXTON
Division Director

August 3, 2004

Wells Fargo Bank
45 South Main
Fillmore, Utah 84631
(435) 743-6816

Attention: David Dallin, Manager

Subject: Reclamation Surety, Certificate of Deposit for KSC Rocks, UTU-79911, S/041/035, Sevier County, Utah
Certificate of Deposit no. Principal Amount \$2,000.

This letter describes the mutually agreed upon instructions of the below signed parties to Wells Fargo Bank, N.A. ("Bank"), regarding the control, redemption, and release of Bank's above-described certificate of deposit (CD), which is being used as a surety to guarantee the availability of reclamation funds for the KSC #1 mine site ("Mine Site"), Sevier County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$2,000 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") and the United States Department of Interior, Bureau of Land Management ("USDOI-BLM") upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

Ownership and Renewal:

Ownership of the CD is retained by KSC Rocks, a "S" corporation, "Owners", but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and USDOI-BLM and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by both the Director of the Division and the authorized officer of USDOI-BLM.

Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of both the Director of the Utah Division of Oil, Gas & Mining and the authorized officer of USDOIBLM to the Bank. Upon the instruction and demand of the Director and authorized officer of USDOIBLM, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officer of USDOIBLM may redeem the CD.

Release:

The bank shall release the CD only upon the written instruction of both the Director of the Division and the authorized officer of USDOIBLM to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$2,000. All tax liabilities for accrued interest shall remain the sole responsibility of the Owners.

Bank will not be held liable for any dispute between the parties.

Agreed Upon By:

Lowell P Braxton

Lowell P. Braxton, Director
Utah Division of Oil, Gas & Mining

Date:

8-13-04

no longer required on this cover letter

Robert Lopez, Branch Chief of Minerals Adjudication
USDOI, Bureau of Land Management

Date: N/A

N/A

Stephen G. Boyden, Director
School and Institutional Trust Lands Administration

Date: N/A

Steven LaMar Sorenson Pres.

Date:

8-3-04

Type the Name & Title of Company Authorized Officer here

Type the Company Name here

Tax ID Number: _____

DAVID DALLIN MANAGER

Date:

8/3/04

Type the Name and Title of Bank Authorized Officer here

Type the Name of Bank here

WELLS FARGO BANK, NA

o:\forms\cdcover-joint-ltr.doc



Time Account Receipt/Disclosure

| | | | | |
|--|--|--|--------------------------------|---|
| <small>Bank name</small> Wells Fargo Bank , N.A. | | | | |
| <small>Time Account number</small> | | | | |
| <small>Maturity date</small> Your Time Account will mature on 01/29/2005 | | <small>Date opened</small> 07/29/2004 | | <small>Term of Time Account</small> 6 months days |
| <small>Interest will be paid</small> | | <small>Interest rate</small> 0.85 | <small>Fixed rate</small> X | <small>Variable rate</small> Annual percentage yield 0.85 |
| EVERY 03 MONTHS AND AT WITHDRAWAL | | | | |
| <small>The method of interest payment will be</small> | | | | |
| BY ADDING TO PRINCIPAL | | | | |
| <small>Renewability</small> | | | | |
| YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT AT MATURITY UNLESS I NOTIFY YOU OTHERWISE. The Bank is opening the above described Time Account for your deposit of TWO THOUSAND AND 0/100 | | | | <small>Taxpayer Identification Number (TIN)</small> |
| <small>Your name and address</small> STEVEN L SORENSON OR KSC ROCKS PAYABLE TO UTAH STATE DEPT OF NATURAL RESOURCES DIV OF OIL, GAS, AND MINING AND THE US DEPT OF INTERIOR 235 N MAIN ST KANOSH UT 84637 | | | | \$ 2,000.00 |

RECEIVED

AUG 05 2004

DIV OF OIL AND GAS

07/29/2004 11:51

U5046 02862 Bank# 00119

This is a receipt. It need not be presented at the time you obtain payment from the Bank.

WAB16A